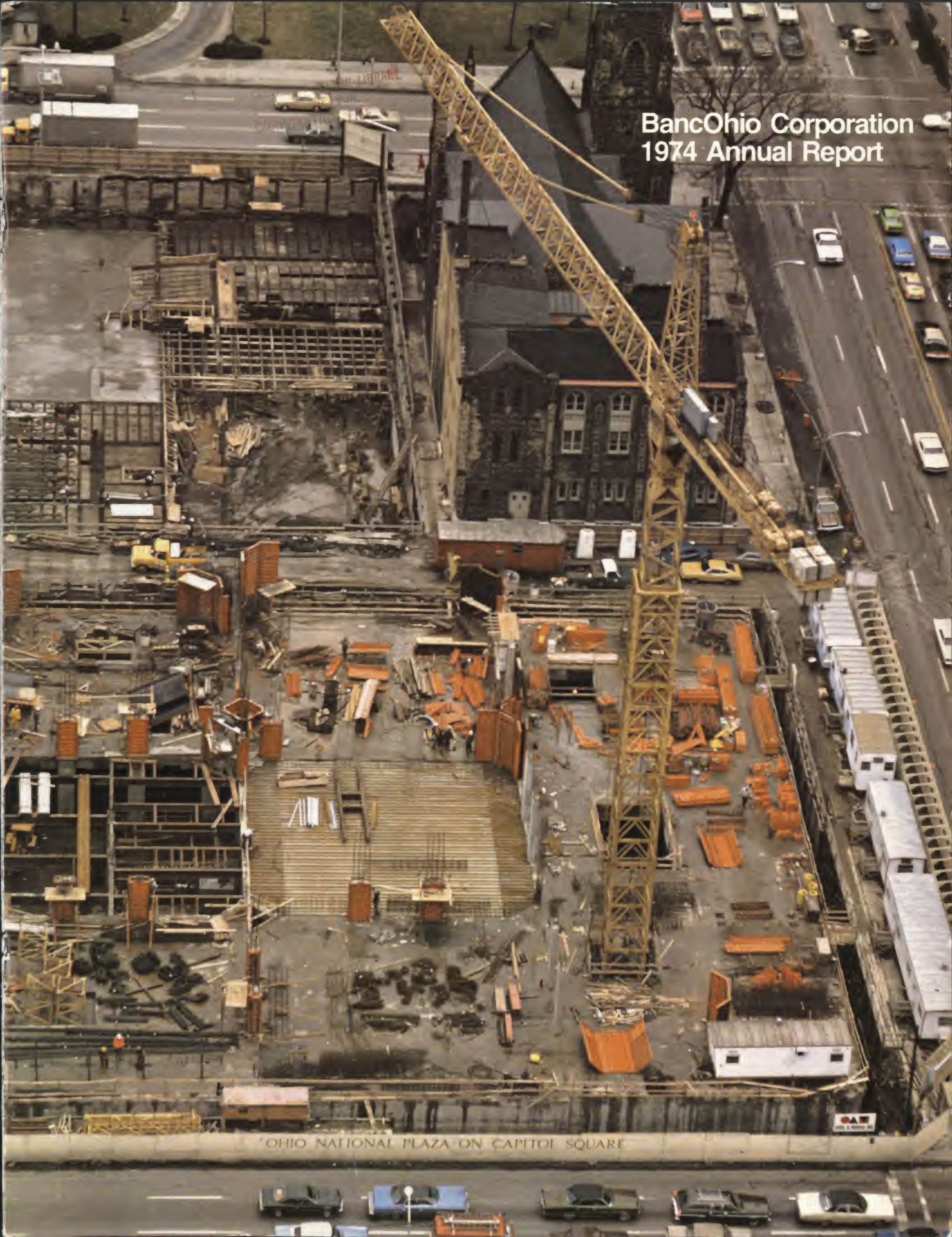
BancOhio Corporation
1974 Annual Report



Quarterly Review Of 1974

First Quarter

☐ The Ohio State Bank of Vandalia affiliates with BancOhio.
☐ The Cummings Bank Company, Carrollton, affiliates with BancOhio.
☐ Akron National Bank and Trust Company opens new Wilbeth Road Office.
☐ John B. Gerlach, president of Lancaster Colony Corporation, and William E. MacDonald, vice president of Ohio Bell Telephone Co. of Cleveland, are named to serve as Directors of BancOhio.
☐ BancOhio Directors declare quarterly cash dividend of 25¢ per share.
☐ BancOhio management appears before the Cleveland Society of Security Analysts.
☐ The Ohio State Bank of Vandalia opens downtown Dayton office.
☐ Midwest Econometrics, Inc., affiliates with BancOhio.
☐ Annual Meeting of BancOhio shareholders is held in Columbus. John F. Wolfe, president of the Dispatch Printing Co., is elected a Director of BancOhio.
☐ BancOhio reports first quarter operating earnings of $4,807,000, or 66¢ per share.

Second Quarter

☐ BancOhio Directors declare cash dividend of 25¢ per share.
☐ Donald L. Edwards joins BancOhio's Ironton affiliate, The Citizens National Bank, as president.
☐ The Ohio State Bank of Medina, a new state bank, opens for business.
☐ Eleven BancOhio affiliates introduce computer interchange for *Anytime Bank* automated banking machines.
☐ *Forbes* magazine ranks BancOhio 101st in asset size of the 500 largest corporations in the United States.
☐ Akron National Bank and Trust Company opens new Portage Path Office.
☐ Board of Directors of The Geauga County National Bank of Chardon votes in favor of a proposal to affiliate with BancOhio.
☐ Akron National Bank and Trust Company opens new Massillon Road Office.
☐ Glenn R. Hemsworth succeeds retiring Albert R. Bryant as president of The First National Bank of Washington Court House.
☐ BancOhio reports first half operating earnings of $11,302,000, or $1.55 per share.

Third Quarter

☐ BancOhio Directors declare quarterly cash dividend of 25¢ per share.
☐ The Board of Directors of The Fahey Banking Company, Marion, Ohio, recommends affiliation with BancOhio.
☐ The Ohio Savings and Trust Company, New Philadelphia, opens new Monroe Mall Branch.
☐ G. Vernon Owen, Jr., is elected president of Akron National Bank and Trust Company; Vincent H. Johnson, continues as chief executive officer and chairman.
☐ The Ohio National Bank of Columbus opens new German Village Office.
☐ The First National Bank of London opens new West Jefferson Office.
☐ Akron National Bank and Trust Company opens new Montrose Click Office.
☐ BancOhio reports first nine months' operating earnings of $16,467,000, or $2.26 per share.

Fourth Quarter

☐ BancOhio Directors declare an increased quarterly cash dividend of 27.5¢ per share, and a year-end extra cash dividend of 5¢ per share.
☐ The Niles Bank Company opens new Warren Office.
☐ The Ohio National Bank of Columbus opens new Georgesville Road Office.
☐ BancOhio announces merger proposal of The Medina County Bank, Lodi, into BancOhio's Medina affiliate, The Ohio State Bank.

Cover Typifying the continued growth and prosperity of modern Ohio — the pictorial theme of this 1974 Annual Report to Shareholders — is the current status of construction of Ohio National Plaza on Capitol Square in Columbus, the state capital. When completed in 1976, the office tower will serve as the headquarters of BancOhio Corporation and its largest bank, The Ohio National Bank. A portion of the building will be available for leasing by commercial, professional and retail tenants. For a preview of what Ohio National Plaza will look like when completed, see page 26.

Annual Meeting The 1975 Annual Meeting of Shareholders of BancOhio Corporation will be held at 10 AM on Wednesday, March 26, at the Neil House Motor Hotel, Columbus, Ohio. All shareholders are invited to attend.

Note to Shareholders A copy of the Securities and Exchange Commission Form 10-K detailing the activities and financial results of BancOhio Corporation during 1974 will be furnished free of charge to any shareholder requesting it. Address any inquiries to Secretary, BancOhio Corporation, 51 North High Street, Columbus, Ohio 43216.

Financial Highlights

For The Year	1974	1973	Increase (Decrease)
Income before securities losses and cumulative effect of change in accounting method	**$22,716,054**	$19,059,606	$3,656,448
Per share	**3.11**	2.61	.50
Net income	**27,200,650**	18,931,945	8,268,705
Per share	**3.72**	2.59	1.13
Cash dividends	**7,855,275**	6,908,952	946,323
Per share	**1.07½**	.96	.11½

At Year-End

Assets	**$3,029,145,368**	$3,106,175,452	$(77,030,084)
Deposits	**2,414,085,410**	2,415,582,562	(1,497,152)
Loans	**1,553,038,793**	1,563,179,836	(10,141,043)
Reserve for possible loan losses	**24,908,883**	25,041,409	(132,526)
Shareholders' equity per share	**28.29**	25.75	2.54
Affiliate banks	**40**	37	3
Banking offices	**199**	182	17

Two Year Quarterly Summary Concerning Common Stock

	Operating Earnings Per Share	Dividends Per Share	Market Price Range High		Market Price Range Low	
1973[1]			**Bid**	**Asked**	**Bid**	**Asked**
First Quarter	$.65	$.24	30⅞	31⅜	26½	27½
Second Quarter	.74	.24	27	28	23¾	24¾
Third Quarter	.61	.24	25¾	26¾	22¾	23¾
Fourth Quarter	.61	.24	26	27	19¼	20¼
1974						
First Quarter	.66	.25	22	23	19	20
Second Quarter	.89	.25	22	23	16½	17½
Third Quarter	.71	.25	16¼	17¼	13¾	14¾
Fourth Quarter	.85	.32½	15½	16½	11	12

[1] Adjusted for 4 percent stock dividend declared in November 1973.

Transfer Agent and Registrar:
The Ohio National Bank of
Columbus
51 North High Street
Columbus, Ohio 43216

The shares of BancOhio Corporation (NASDAQ Symbol BOHI) are actively traded in the Over-the-Counter Market.

To Our Shareholders:

The year 1974 represented one of the most challenging years in our Corporation's history of service to the citizens and businesses of Ohio, and it is a pleasure to report to you, our shareholders, that the people, programs and planning of BancOhio and its 40 affiliate banks were equal to the challenge. Significantly, these efforts enabled BancOhio to achieve record earnings for the year.

Recognized as beneficial nearly a half century ago when our Corporation became the first bank holding company in Ohio, the fundamental strengths and advantages of such an organizational structure clearly contributed to the attainment of our mutual goals during 1974. Perhaps more significantly, the concept proved to be strong and resilient and, above all, flexible in adapting to changing economic patterns.

Economic Assessment The past year was one of unprecedented change and challenge. It was marked by widespread uncertainty over the course of the nation's economy. The government's monetary policies, directed to dampening severe inflationary pressures, had adverse effects which further unsettled the national economy. The implementation of these policies resulted in a substantial weakening of the capital markets which, in turn, forced demands on the money markets, leading to historic new highs in interest rates. The net result was disorder in the financial markets. The domestic economy, reflecting these policies as well as a wide range of changes and pressures in the world economy, had become sharply recessionary as 1974 ended and 1975 began.

It is admittedly too early as this Annual Report goes to press to predict with any degree of precision just when the nation's economy will stabilize and show signs of renewed vitality. The uncertainties of inflation, government spending and budgetary and monetary policies, unemployment and the unfortunate rise in the cost of energy, to name but a few, must be forcefully dealt with before the nation can resume its historic expansion.

1974 Results It is therefore a tribute to our operating management and their disciplined allocation of BancOhio's resources that the Corporation achieved new records during this turbulent and uncertain period. Having proven successful during the past year, it is equally comforting to know that these thoughtful programs will continue to be followed during the current year.

The Company's strong financial results for 1974 reflect BancOhio's reputation for innovation coupled with steadiness and a purposeful sense of responsibility. Despite the recessionary influences which were proving to be detrimental to a large number of business and financial institutions with less cautionary policies, BancOhio was able to report consolidated operating earnings before security transactions of $3.11 per common share in 1974, an increase of 19 percent over the $2.61 per share earned in 1973. This represents a record level of earnings for BancOhio. A more complete

discussion of results of operations and earnings per share may be found on pages 14-25 of this Report.

Dividend Policy Considering the significant improvement in earnings and the contemporary investor preference for increased cash yield, the Board of Directors voted to increase the regular quarterly dividend 10 percent, to 27½ cents per share, and to pay a 1974 year-end extra cash dividend of 5 cents per share. The Directors also voted to discontinue the payment of a modest stock dividend of four percent, which had been paid in each of the past eight years, and which resulted in the issuance of an additional 1.6 million shares of common stock during that period.

These decisions reflect the policy of BancOhio to share earnings improvements with shareholders through the payment of increased cash dividends as our earnings per share grow. It is entirely possible that we might, at some future date, approve the issuance of stock dividends, depending upon then-prevailing conditions in the financial markets and the needs and resources of BancOhio.

Asset and Liability Management BancOhio's total resources remained relatively constant throughout 1974 because of our strong emphasis on prudent asset management during the past year.

A carefully applied policy of a greater selectivity in committing its funds was initiated in late 1973, when BancOhio management recognized the presence of disturbing factors within the economy and the principal money markets following the strong period of growth during 1972 and the first three quarters of 1973. As a result, we reduced the amount of net borrowed funds utilized compared to the year-earlier period.

As an overall part of asset and liability management, BancOhio developed an affiliate bank program of stressing loan quality together with a selective exercise of loan restraint which has helped to dampen the inflationary pressures and spiralling credit demands within the state of Ohio.

Future Objectives When the management of BancOhio decided in 1969 to embark on a vigorous bank acquisition program, it set four primary objectives: first, to acquire banks in important market centers or areas with promising future growth potential; second, to achieve a geographic expansion and diversification throughout the state of Ohio; third, to retain BancOhio's position as the leading multi-bank holding company in Ohio while increasing its penetration of the market throughout the state and region; and fourth, to achieve the first three objectives without experiencing a dilutive effect on current earnings per share.

These objectives clearly have been met. As a result, BancOhio has more than doubled in size in a very short period of time. We have evolved into a large regional bank holding company offering a full range of banking services extending throughout Ohio. As we enter a new phase of consolidation following our strenuous bank affiliation program, our primary emphasis will be to continue to advance the management capabilities throughout the entire BancOhio system and to further improve the Company's profitability.

Through the pragmatic application of consistent management principles and proper planning, BancOhio is well positioned for the future. Its profit planning program, designed to assure that each of the Company's affiliate banks will be able to maximize its contribution to BancOhio's per share earnings, has been specifically developed to accommodate the individual diversity of each affiliate bank's market.

BancOhio is deservedly proud of its achievements over the past few years, particularly its proven ability to withstand the turbulence which has assaulted the banking industry over the past two years and which continues to be felt as this Annual Report is written. Looking ahead to 1975 and the years beyond, it is our firm intention, using the soundest of business judgment and applying the most constructive management and information systems available to us, to share in the further growth of Ohio and the markets we serve. We and our affiliates view the future with confidence and a sense of optimism, characteristic of contemporary Ohio, which this Annual Report briefly portrays.

On a serious and more personal note, I must report regretfully that on January 25, 1975 a fatal air crash claimed the life of Edgar T. Wolfe, Jr., a Director of BancOhio since 1958. His guidance, dedication, and empathy which helped lead BancOhio through the critical developmental years to its prominence in the bank holding company industry will be sorely missed by the directors and by the entire staff of the Corporation. We extend our sincerest sympathy to the family of Edgar T. Wolfe, Jr., and to the families of the other civic leaders and pilots lost in this air tragedy.

In closing, the Board of Directors wishes to express its deep and respectful appreciation for the counsel, wisdom and friendship of John M. Caren, who is retiring as a Director of BancOhio after many years of exemplary service to the Corporation. His commitment to BancOhio and to the concept of multi-bank operations as a singularly efficient means of improving banking service has been a guide and an inspiration for us all.

Philip F. Searle

Philip F. Searle
President and Chief Executive Officer
February 14, 1975

Review of Operations

Industry Position During 1974, BancOhio further consolidated its position as the leading and most experienced multi-bank holding company in the state of Ohio.

Three new banks affiliated with BancOhio; also the Board of Directors approved two additional affiliations and a merger into a BancOhio affiliate, all of which are presently awaiting formal application for approval.

BancOhio's 40 affiliate banks, with their 199 individual banking offices, serve seven of Ohio's eight major marketing regions, representing an area encompassing nearly two-thirds of the state's entire population. During 1974, BancOhio was recognized as the 38th largest commercial banking organization in the United States.

Total BancOhio resources exceeded $3 billion at the end of 1974. Common shareholders' equity was equal to 6.8 percent of total assets and 8.6 percent of total deposits, a substantial improvement over the 6.1 percent and 7.8 percent, respectively, at the end of 1973. These ratios are significantly above the norm for similar banking organizations. The Company's long-term debt was 10.8 percent of its consolidated capital and reserves, indicating greater financing capabilities for the future than many financial institutions of similar size.

BancOhio's strength is responsibly linked with that of the prosperous state that it serves. With a population of over 10.5 million, Ohio ranks sixth among the fifty states in population, and leads all states in the production of rubber products, machine tools, and foundry and machine shop equipment. Ohio's gross state product is estimated at $73 billion and for nearly 15 years it has led the nation in manufacturing jobs related to the export industry. Ohio boasts a working population of 4.6 million, and at year-end 1974 its unemployment rate was 6.1 percent, below the national average despite severe cutbacks in industrial manufacturing and production positions. Personal income exceeds $48 billion and effective buying income is approximately $46 billion. Retail sales in the state are over $25 billion.

The banking industry is strong in Ohio. Total deposits of all banks approximate $30 billion. BancOhio has markedly increased its penetration of the Ohio market during the past five years, and its affiliate banks currently account for over 8 percent of all Ohio bank deposits.

Bank Acquisitions and Mergers Since the beginning of 1970, the number of BancOhio banking affiliates has increased from 22 to 40. As planned, the affiliation program has proven to be non-dilutive to the Corporation's

The *New York Times* has heralded the Edwin J. Thomas Performing Arts Hall as a "building of which any world capital could be proud." This new home for the arts in Akron possesses unusual technological and aesthetic innovations in both its design and its accoustics quality. Culturally, Ohio is the home of nearly 90 dramatic and more than 100 musical organizations, including the world-famed Cleveland Orchestra.

earnings. These banks represent nearly 30 percent of all BancOhio assets and earnings.

During the past year, The Ohio State Bank of Vandalia and The Cummings Bank Company, Carrollton, became affiliates of BancOhio, and The Ohio State Bank of Medina was established, bringing to 40 the number of individual banks under BancOhio leadership serving the citizens of Ohio. Focusing its attention primarily on the northern sector of Ohio, BancOhio has reached an agreement to affiliate The Geauga County National Bank of Chardon. It also announced a proposed affiliation of The Fahey Banking Company, Marion, and the merger of The Medina County Bank, Lodi, into The Ohio State Bank of Medina.

BancOhio has chosen to temporarily postpone formal application of these acquisitions because of prevailing regulatory and economic conditions. Plans call for the submission of these applications in the coming year. Other affiliation opportunities of a highly selective nature designed to further broaden BancOhio's penetration of the Ohio market are contemplated in the years ahead.

Expansion of Affiliate Banks The extension of banking locations by BancOhio affiliates represents an opportunity for internal growth as well as an important service to our customers. It also better positions BancOhio in its statewide and regional approach to banking, and serves to underscore BancOhio's total commitment to providing improved services to its many customers throughout the state.

As evidence of this commitment, 11 new branch offices were opened by BancOhio affiliate banks during 1974.

Rising 493 feet above the ground, the condensing tower of the Davis-Besse Nuclear Power Station in Port Clinton nearby BancOhio's Sandusky affiliate is the world's largest poured concrete structure. Upon its completion in 1976, the Davis-Besse station—a joint project of the Cleveland Electric Illuminating Company and Toledo Edison—will produce 906,000 kilowatts as Ohio's first commercial nuclear-powered energy plant. A number of additional nuclear energy plants are planned or under construction in Ohio.

The Akron National Bank and Trust Company opened four offices and The Ohio National Bank of Columbus opened two. The Niles Bank Company, The First National Bank of London, The National Bank of Portsmouth, The Ohio State Bank of Vandalia, and The Ohio Savings and Trust Company, New Philadelphia, each opened a new branch office during 1974. BancOhio's affiliate banks also completed a number of remodeling programs and installed additional *Anytime Bank* automated banking machines in selected locations in 1974. Total cost of all projects was approximately $9.1 million. Thirteen capital projects are scheduled either to begin or to be completed in 1975 as part of BancOhio's planned program of internal expansion and affiliate growth. These are in addition to the continuing installation of *Anytime Bank* machines throughout the BancOhio system.

Early in 1975, BancOhio will record another milestone as First National Bank of Tiffin opens its new Westgate Branch banking office—the 200th office to be in operation by a BancOhio affiliate.

The past year also witnessed the beginning of construction in Columbus of BancOhio Corporation's new home office and the future headquarters of its largest bank, The Ohio National Bank. To be known as Ohio National Plaza on Capitol Square, the 25-story tower with related facilities is expected to become one of the most attractive landmarks of Ohio's capital city as well as a center of its financial and business activity.

Affiliate Banking Services Among the major cost savings factors in the holding company approach to banking are the economies to be realized through coordinated staff services on the Corporate level. These services are much more economical to furnish than they would be if duplicated individually by the affiliate banks.

To provide the most modern banking services available to its customers, BancOhio's Marketing Department in 1974 initiated two new programs for its affiliate banks: the *ValuPak* plan and the *Anytime Bank* 24-hour automatic banking machine interchange. *ValuPak* plan offers depositors, for one small monthly fee, a complete range of services extending from checking and savings accounts to specialized loan and other banking services. The *Anytime Bank* machine permits depositors to conduct more than ten banking transactions automatically day or night through the use of a special magnetic card. Both programs were designed to attract additional business, and to provide more comprehensive services to BancOhio customers. In addition, new strength was added to existing services through deposit-generating programs combining premium offers and incentive efforts.

Increased emphasis was placed upon research and planning for the affiliate banks during 1974. Approximately 20 studies were made to determine the feasibility of establishing new branch offices for existing BancOhio affiliates. In addition, individually-tailored image studies were made to assist affiliate banks in improving their services to customers and to meet competition more effectively. The BancOhio Marketing Department has also been instrumental in bringing about the interchange system between affiliate banks, which is designed to assure a continuing future success of the *Anytime Bank* machines.

Improved communications at all levels are an absolute requisite to the successful operation of any organization, particularly a multi-bank holding company. During 1974 an extensive staff and officer training program was conducted for affiliate bank personnel which emphasized motivation, education and sales techniques. In addition, a new business development program of community-related officer involvement was instituted which encompasses all 40 BancOhio banks.

Asset and Liability Management An extremely restrictive monetary policy, worldwide inflation, the abrupt rise in energy costs and other related economic factors resulted in interest rates reaching new highs during 1974. The capital market became virtually inoperative during the summer, forcing a concentration of demands on the money market, which in turn reinforced the upward thrust of short-term interest rates. In late summer, monetary officials began to ease their stance, relieving certain of the anti-inflationary pressure built up over the preceding months.

In light of these economic conditions, BancOhio's asset and liability management strategy for 1974 involved enhancing the liquidity position of all affiliates, restraining excessive loan growth, upgrading loan portfolio quality, and emphasizing growth in demand deposits and consumer time deposits.

Specific measures were taken in 1974 to (1) improve the basic liquidity of the Corporation through the continuation of the corporate policy of loan restraint and deposit generation; (2) shift the deposit mix to favor the less volatile sources of funds including reduced reliance on large money market certificates of deposit; and (3) reshape the investment portfolio to increase the overall yield, as well as to liquidate a significant amount of U. S. Government and Agency securities prior to the steep escalation of interest rates in late Spring. The losses recorded from these liquidations were more than recovered through improved operating earnings during 1974. Also during the year, BancOhio established the flexibility which enables it to issue commercial paper and was accorded the highest quality rating available (Prime-1) from Moody's Investors Service.

The following table reflects the results of BancOhio's concerted effort to adjust the composition of its various sources of funds during 1974. The principal objective of this

Dayton, the home of the Wright Brothers, has long built upon its heritage in aviation history. The United States Air Force Museum near Wright-Patterson Air Force Base houses exhibits of aircraft flown throughout this nation's history and an exciting display of American rocketry and spacecraft. Ohio, with 30,000 persons employed in aviation-related industries, ranks high among those states providing sophisticated technological services to the aviation and space industries.

effort was to reduce the Company's reliance on the more volatile sources of funds from the standpoint of both cost and availability.

Comparative Sources of Funds

	12/31/74		12/31/73	
	(Dollars in Millions)			
Demand deposits	$ 895	31%	$ 919	30%
Savings deposits	814	29	752	24
Money market certificates of deposit	—	—	116	4
Other time deposits	705	25	629	21
Total deposits	2,414	85	2,416	79
Net funds borrowed (funds borrowed less funds sold)	59	2	304	10
Other liabilities	135	5	131	4
Shareholders' equity and reserves	232	8	213	7
Total	$2,840	100%	$3,064	100%

Exceptional demand for commercial loans, combined with unusually restrictive Federal monetary policies aimed

at dampening that demand led to historically high levels in the prime rate during the first half of 1974. During this period BancOhio reinforced the loan restraint policy instituted in late 1973, and all affiliate loan portfolios received greater scrutiny than ever in an effort to improve loan quality. At the same time, a greater percentage of lendable funds were committed to higher-yielding consumer installment loans. The change in mix in BancOhio's loan portfolio is summarized below:

Comparative Loans Outstanding

	12/31/74		12/31/73	
	(Dollars in Millions)			
Commercial	$ 607	39%	$ 646	41%
Real Estate	406	26	405	26
Consumer	540	35	512	33
Total	$1,553	100%	$1,563	100%

In continuing its loan restraint and loan quality upgrading efforts during 1974, BancOhio maintained a loan-to-deposit ratio of approximately 64 percent, which is below the industry average and highly favorable in light of current economic conditions. BancOhio has purposely refrained from entering foreign money markets during this period, and has avoided many other types of loans which have proven in some other banking organizations to be both costly and of questionable long-term merit.

The investment portfolios of BancOhio affiliates reflect the emphasis on liquidity which was paramount in the investment strategy employed during the past year. This led to reductions of $223 million in U. S. Government and Agency securities, $12.4 million in state and municipal obligations and $2.2 million in other securities. At the same time, the reliance on high cost volatile funds was reduced by over $350 million. As a result of the restructuring, the various investment portfolios, on a consolidated basis, reflect a taxable equivalent yield of 7.8 percent at the end of 1974, compared to 7.0 percent at the end of 1973.

In addition to formulating and coordinating overall corporate asset and liability management programs for the year and restructuring the money position and investment portfolios of all BancOhio affiliates, the BancOhio Investment Department completely altered its organizational structure in 1974 by establishing three distinct activity units.

The Asset and Liability Management Unit is responsible for basic portfolio and money management for BancOhio

Astronaut and Ohioan, Neil Armstrong's historical first step on the moon has been immortalized with the erection of this uniquely-designed air and space museum in Armstrong's home town of Wapakoneta, near BancOhio affiliates operating in Hardin and Logan Counties. The moon-like museum displays the original Gemini 8 space capsule in addition to other mementos of lunar exploration. Ohio has fostered several astronauts, including current United States Senator John Glenn, of New Concord.

The Ohio Historical Society Center located in Columbus is one of the most striking contemporary structures in the country. Columbus architects W. Byron Ireland and Associates received the Honor Award of the Ohio Society of the American Institute of Architects for their design of the Center which opened in 1970. The state of Ohio maintains approximately 60 historical, archaeological and natural history sites which are administered at the Ohio Historical Center. (right)

and its affiliates. It also serves as internal operations liaison and is responsible for all municipal credit activities, execution of municipal bond transactions, and all affiliate pledging coordination.

The BancOhio Money Center executes all portfolio and trading transactions in Government and Agency securities and money market instruments. It also services the money market needs of individuals, corporations and public bodies throughout BancOhio's affiliate network and the Midwest.

The Securities Operations Unit, established as a separate entity to be solely involved in the production aspects of bank investments, improves the overall efficiency of the Investment Department by providing a specific area for handling internal operating communications, delivery instructions and invoicing relating to all securities transactions.

Data Processing The technological revolution has transformed banking into one of the most sophisticated information-processing businesses in the world today. Computers and automatic data processing equipment have become the primary means by which a multi-bank holding company is able to acquire, analyze and disseminate the critical information and data it requires for efficient day-to-day operations. BancOhio added to its computerized resources in 1974 and is presently applying them to its state-wide operations with measured efficiency.

BancOhio continued to expand its data collection system to provide on-line transmission from regional data collection centers to The Ohio National Bank Operations Center in Columbus, which serves as the BancOhio data processing headquarters. This concept is implemented through the data collection centers serving separate regional groups of affiliate banks as principal data relay points.

Major computer applications brought to fruition in 1974 included the conversion of Trust Department computer accounting to newer and faster equipment, and the initiation of a program for computer accounting for the Automatic Dividend Reinvestment Program, a specialized service offered by The Ohio National Bank.

The installation of a new, fully-integrated computer system for investment portfolio analysis and accounting became operational in 1974. The new system completely automates the accounting function, provides varied daily portfolio management data and associated safekeeping and pledging reports for each affiliate, and consolidates all portfolio information and management data.

Keeping pace with the growing need for instantaneous access to relevant financial data among its 40 banking

affiliates. BancOhio is continuing conversion to the Financial Information Control System (FICS). The development of this new system provides management with more current and sophisticated operating data, permitting improved internal long-range planning. BancOhio has also developed important new programs which are responsive to the growing needs of its customers. These provide significant new approaches to deposit and loan accounting for all 40 affiliate banks.

Bank-Related Activities Ohio BancLease, Inc., the Corporation's wholly-owned equipment leasing subsidiary, marked its second full year of operations during 1974.

Designed as a multi-service organization, Ohio BancLease provides all affiliate banks with a complete range of lease services for their portfolios, and invests in leases for its own account as well.

While leases are concentrated in industry and manufacturing, an increasing number are coming from the medical and dental professions, where a less costly alternative to outright purchase of modern equipment increasingly is being sought. As part of its services, a computer program has been developed by Ohio BancLease to provide the affiliate banks all necessary accounting data for their individual leasing transactions.

Midwest Econometrics, Inc., of Columbus, one of the four non-bank subsidiaries of BancOhio, was acquired at the beginning of 1974 and represents a promising investment in the future on the part of the Corporation.

Midwest Econometrics has a wide and varied selection of custom-designed market area studies including regional data banks and econometric models. Its Ohio Econometric Model has served as a prototype for other state models throughout the country, and is used for economic forecasting, policy analysis and the formulation of guidelines for statewide economic development.

Cleveland's Park Centre Mall, a minicity within Ohio's largest city, exemplifies the positive changes currently occurring in Cleveland. Architects Dalton-Dalton-Little-Newport received one of two top design awards for the Park Centre apartment and shopping complex. Other similar projects are planned in the future as Cleveland increasingly stresses pace-setting inner-city renewal.

Summary of Operations

Description of Business As a multi-bank holding company and the parent corporation of 40 affiliate banks located throughout the state of Ohio, BancOhio Corporation provides a broad range of diversified retail and commercial banking services to its customers. These services extend from consumer and business demand and time deposits to installment, real estate and commercial loans, and leasing operations. Eleven of its affiliates also provide a variety of fiduciary and trust services. BancOhio's income is derived primarily from interest earned on its loans, charges to its customers for the various services it offers, and interest and dividends earned through the investment of securities. Its leasing subsidiary, which is still in the developmental stage, also serves as a source of income.

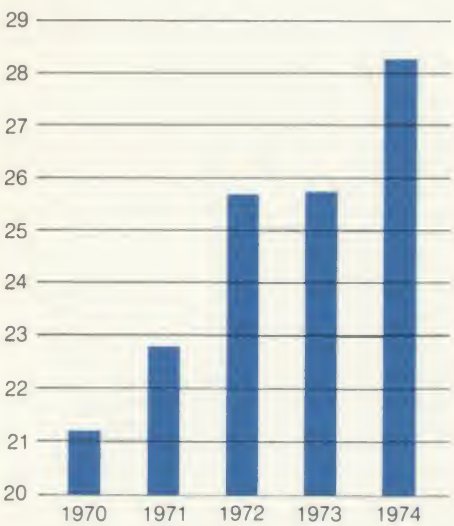
A comprehensive statistical summary of the Company's earnings and pertinent related financial data, together with a description of the results of the Company's overall operations for the past five years, is contained on the following pages.

Related Financial Information for Five-Year Period

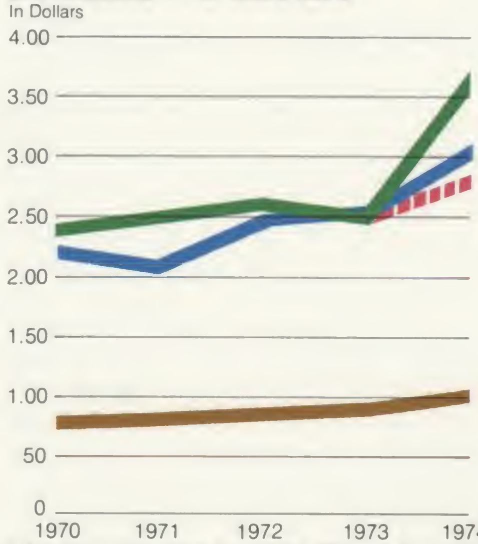
	1974	1973	1972	1971	1970
			(Dollars in thousands)		
Loans	**$1,553,039**	$1,563,180	$1,234,405	$1,021,486	$ 908,747
U. S. Treasury securities	**241,453**	420,497	542,390	517,042	265,253
Obligations of states and political subdivisions	**450,245**	462,624	325,779	310,894	303,138
Other securities	**132,047**	178,261	168,907	110,860	102,054
Total assets	**3,029,145**	3,106,175	2,639,418	2,277,866	1,924,003
Deposits	**2,414,085**	2,415,583	2,247,723	1,990,258	1,676,391
Long-term debt	**25,000**	25,000	25,000	—	—
Reserve for possible loan losses	**24,909**	25,041	21,130	19,761	18,964
Shareholders' equity	**206,728**	188,193	178,234	165,419	153,126
Number of employees	**4,837**	4,516	3,931	3,589	3,464
Number of banking offices	**199**	182	151	131	124
Number of banks	**40**	37	32	28	26
Number of shareholders	**14,441**	13,545	12,797	11,843	11,385

Dollar amounts have been restated to include pooled companies for all years.

Shareholders Equity Per Share
In Dollars

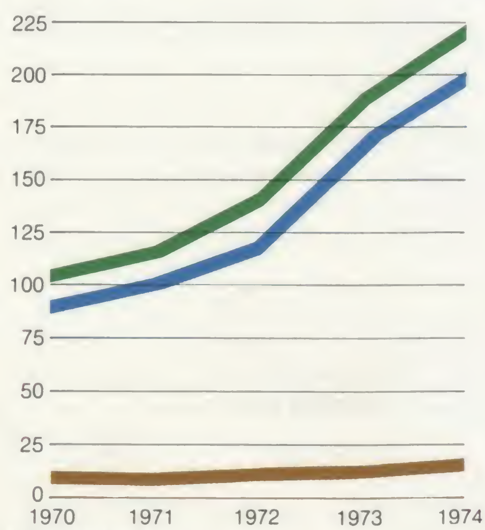


Operating income, Net income and Dividends — Per Share Basis
In Dollars



Net Income (Includes Cumulative Effect of Accounting Change)
Operating Income
Net Income (Excludes Cumulative Effect of Accounting Change)
Cash Dividends (Adjusted for 4% Stock Dividends — 1970-73)

Operating Income
Millions of Dollars



Operating Income
Operating Expense Including Tax
Income (Before Security Transactions)

Five-Year Summary of Earnings

	1974	1973	1972	1971	1970
	Year Ended December 31, (In Thousands of Dollars)				
Operating Income:					
Interest on loans	**$144,408**	$116,448	$ 84,496	$ 73,329	$ 70,155
Income on funds sold	**12,629**	6,170	2,241	1,628	1,829
Interest and dividends on investments	**49,184**	51,828	44,684	35,129	28,574
Other operating income	**18,608**	14,419	11,422	10,482	8,134
Total Operating Income	**224,829**	188,865	142,843	120,568	108,692
Operating Expenses:					
Salaries, wages and employee benefits	**38,929**	34,036	29,739	27,498	25,110
Interest on deposits	**93,817**	76,778	57,642	47,336	38,361
Interest on other borrowed funds	**28,892**	23,500	6,018	3,473	4,154
Interest on 7% notes	**1,791**	1,791	1,105	—	—
Occupancy expense	**5,994**	5,110	3,992	3,664	3,605
Provision for loan losses	**7,061**	3,454	1,970	1,477	1,017
Other operating expenses	**26,285**	23,154	20,798	19,264	16,318
Total Operating Expenses	**202,769**	167,823	121,264	102,712	88,565
Income before income taxes, securities transactions and effect of change in accounting method	**22,060**	21,042	21,579	17,856	20,127
Applicable income taxes	**(656)**	1,982	3,114	2,200	3,675
Income before securities transactions and effect of change in accounting method	**22,716**	19,060	18,465	15,656	16,452
Securities transactions — Less related income taxes	**(1,724)**	(128)	1,049	2,867	1,198
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans (Note A)	**6,208**	—	—	—	—
Net Income	**$27,200**	$18,932	$19,514	$18,523	$17,650
Per share of common stock (Note B)					
Average shares outstanding	7,308,628	7,308,628	7,291,307	7,259,844	7,239,256
Income before securities transactions and cumulative effect of accounting change	**$3.11**	$2.61	$2.54	$2.16	$2.27
Securities transactions	**(.24)**	(.02)	.14	.39	.17
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans	**.85**	—	—	—	—
Net Income	**$3.72**	$2.59	$2.68	$2.55	$2.44
Pro forma amounts assuming retroactive application of change in installment loan recognition method: (Note A)					
Income before securities transactions	**$22,716**	$20,426	$19,158	$16,454	$17,144
Securities transactions	**(1,724)**	(128)	1,049	2,867	1,198
Net Income	**$20,992**	$20,298	$20,207	$19,321	$18,342
Per share of common stock (Note B):					
Income before securities transactions	**$3.11**	$2.80	$2.63	$2.27	$2.36
Securities transactions	**(.24)**	(.02)	.14	.39	.17
Net Income	**$2.87**	$2.78	$2.77	$2.66	$2.53
Cash dividends (Note B)	**$1.075**	$.96	$.92	$.88	$.85

Note A — See Note 3 of Notes to Financial Statements for discussion of change in accounting method. The pro forma amounts above show the approximate effect on net income had the change in accounting method been made prior to 1970.

Note B — Income and cash dividends per common share have been adjusted for stock dividends.

Management's Discussion and Analysis of the Five-Year Summary of Earnings

General The increase in BancOhio's consolidated income since 1970 is due primarily to dollar increases in interest margins (reflecting fluctuations in the cost of money and the growth in assets and liabilities), the control of non-interest related expenses, the expansion of non-interest related income, and the overall effects of inflation and related rising costs.

The five year period also reflects the acquisition of banks in transactions accounted for as pooling of interests in all periods shown. In addition, the Company acquired in 1973, for cash, all the outstanding capital stock of three banks. Results of operations of these three banks are included in the financial statements since their respective dates of acquisition.

Interest Margins The profitability of the Corporation is primarily dependent upon the ability of its affiliate banks to lend and invest funds at a higher rate of return than the costs of deposits and borrowed funds. As the cost of money has increased, the Corporation's banks have experienced narrowing margins between yields earned and rates paid on funds.

The following table summarizes those elements of the Summary of Earnings which are affected by changes in interest rates and provides a measurement of the net effects of asset, liability, and interest rate management since 1970.

Net Interest Margins

	1974	1973	1972	1971	1970
			(In Thousands of Dollars)		
Interest income from:					
Loans	**$144,408**	$116,448	$ 84,496	$ 73,329	$ 70,155
Funds sold	**12,629**	6,170	2,241	1,628	1,829
Investments[1]	**70,122**	67,124	58,686	47,399	40,197
Total	**227,159**	189,742	145,423	122,356	112,181
Less interest expense on:					
Deposits	**93,817**	76,778	57,642	47,336	38,361
Other borrowed funds	**28,892**	23,500	6,018	3,473	4,154
7% Notes	**1,791**	1,791	1,105	—	—
Total	**124,500**	102,069	64,765	50,809	42,515
Taxable interest margin	**102,659**	87,673	80,658	71,547	69,666
Less income taxes of 48%[2]	**49,276**	42,083	38,716	34,343	33,440
After tax interest margin	**$ 53,383**	$ 45,590	$ 41,942	$ 37,204	$ 36,226

[1] Reflects income from tax exempt securities on a fully taxable equivalent basis.
[2] Assumed Federal income tax rate on taxable interest income.

Dollar increases in these margins are attributable to (1) growth in earning assets; (2) changes in the asset mix; (3) maturities and the interest rate sensitivity of assets and liabilities; (4) changes in loan pricing policies; and (5) utilization of alternate sources of funds.

The increase in loan and investment income from 1970 through 1973 was due both to increases in portfolios ($654 million in loans, $391 million in securities) and to increases in portfolio yields. In 1974 loan outstandings were held constant with some shift in mix; whereas, the investment portfolio was sharply reduced in size. At the same time, policies were adjusted in several respects which served to enhance the yield of both loans and investments. Loan yields increased from 8.5 percent in 1973 to 9.7 percent in 1974, while investment yields, on a fully taxable equivalent basis, improved from 7.0 percent to 7.8 percent.

Interest expense increased substantially in 1973 and 1974 as a result of record high interest rates on short-term sources of funds, which were required to finance earning asset growth in excess of deposit generation. Despite efforts in 1974 to change the Corporation's major sources of borrowed funds, from highly volatile large denomination money market certificates of deposit to other sources, continued increases in interest rates caused borrowed funds expense to remain high throughout most of 1974.

As discussed in Note 3 to the financial statements, the Corporation changed its method of recognizing income on installment loans effective January 1, 1974. After tax interest margins would have increased approximately $692,000, $798,000, $693,000, and $1,367,000 in the years 1970 through 1973, respectively, had this change been made on a retroactive basis.

Non-Interest Related Income Service charge income on demand deposits has increased in each of the periods since 1970 primarily as a result of deposit growth and adjustments in customer services and fee policies.

Other Operating Income increased from 1972 to 1974 principally as a result of leasing activities, which commenced in 1973, and growth in Trust services income.

Non-Interest Related Expenses All categories of non-interest expenses have increased since 1970, generally due to increased scope of operations; however, the relationship of these expenses (exclusive of provisions for loan losses) to taxable interest income has not changed significantly as shown below:

Year	Non-Interest Related Expenses [1]	% of Taxable Interest Margin
	(Dollars in Thousands)	
1970	$45,033	65%
1971	50,426	70
1972	54,529	68
1973	62,300	71
1974	71,208	69

[1] Excludes provisions for loan losses

Salaries, wages, and employee benefits increased generally due to the expanded scope of the Company's operations. In the period 1970 through 1974, affiliated banks opened 31 additional branch office locations and employed approximately 900 additional officers and employees.

The significant increase in occupancy expense in 1973 is primarily the result of The Ohio National Bank's new Operations Center, which was completed in 1972. Equipment expenses also increased in both 1973 and 1974, principally due to the upgrading of data processing equipment and the addition of remote data transmission equipment.

Provision For Loan Losses The provision for loan losses increased significantly from 1970 to 1974, as a result of expanding loan portfolios. The amount charged to earnings is generally determined by a five-year averaging formula supplemented by additional provisions when judged appropriate by management. The provision for 1974 includes $2 million in excess of the amount computed by the formula method.

The dollar amount of loan loss provisions has increased significantly throughout the period. However, net loan losses as a percentage of loans outstanding at year-end, from 1970 through 1973 has remained relatively stable, as shown in the table following:

Year	Loans Outstanding	Loan Losses Net of Recoveries: Amount	Loan Losses Net of Recoveries: % Loans Outstanding
	(Dollars in Thousands)		
1970	$ 908,747	$2,060	.23%
1971	1,021,486	2,232	.22
1972	1,234,405	2,662	.22
1973	1,563,180	4,580	.29
1974	1,553,039	8,751	.56

The significant increase in net loan losses in 1974 is due principally to the 25 percent reduction in carrying value of Equity Funding Corporation of America and U. S. Financial notes held by an affiliate bank, and the substantial increase in commercial and installment loan charge-offs due to the weakened economic conditions which existed in 1974.

Federal Income Taxes The Company's income tax expense as a percentage of Income Before Income Taxes has decreased, as summarized in the following table.

Year	Effective Tax Rate: Based on Operating Income	Effective Tax Rate: Based on Net Income
1970	18%	21%
1971	12	21
1972	14	17
1973	9	9
1974	(3)	11

The substantial decline in Federal income taxes is due in part to a higher proportion of income being derived from tax exempt securities. The Corporation's 1974 effective tax rate was further affected by two unforeseen short-term developments: a $22 million increase in interest expense associated with the money market environment during the past year; and a $3.6 million increase in provision for loan loss. Income taxes for 1973 and 1974 were further reduced by significant amounts of investment tax credits generated from the Company's growth in leasing operations.

Consolidated Balance Sheet

	December 31, 1974	December 31, 1973
Assets		
Cash and due from banks (includes $15,021,324 of certificates of deposit in 1974)	**$ 346,061,297**	$ 337,789,944
Securities (Note 4):		
U. S. Treasury securities	**241,452,909**	420,497,072
Obligations of other U. S. government agencies	**61,628,058**	105,601,118
Obligations of states and political subdivisions	**450,244,579**	462,623,951
Other securities	**70,419,420**	72,659,950
Total securities	**823,744,966**	1,061,382,091
Funds sold	**188,650,000**	42,555,000
Loans	**1,553,038,793**	1,563,179,836
Direct lease financing	**22,253,436**	16,707,936
Banking premises and equipment — Less accumulated depreciation (Note 5)	**58,343,825**	49,147,556
Interest receivable	**20,890,420**	23,519,211
Other assets	**16,162,631**	11,893,878
Total	**$3,029,145,368**	$3,106,175,452
Liabilities, Reserves, and Shareholders' Equity		
Demand deposits	**$ 894,502,863**	$ 919,250,568
Time and savings deposits	**1,519,582,547**	1,496,331,994
Total deposits	**2,414,085,410**	2,415,582,562
Funds borrowed	**247,910,524**	346,602,097
Unearned loan income	**71,332,898**	79,075,363
Interest, taxes, and other liabilities	**39,179,273**	26,680,753
7% Notes payable, due in 1979	**25,000,000**	25,000,000
Total liabilities	**2,797,508,105**	2,892,940,775
Reserve for possible loan losses (Note 7)	**24,908,883**	25,041,409
Shareholders' Equity:		
Capital stock:		
Preferred stock — $25.00 par value; 800,000 shares authorized but unissued		
Common stock — $6.66⅔ par value; authorized 10,000,000 shares, outstanding — 7,308,628 shares (Note 2)	**48,724,209**	48,724,209
Capital surplus	**87,133,574**	87,133,574
Retained earnings	**70,870,597**	52,335,485
Total shareholders' equity	**206,728,380**	188,193,268
Total	**$3,029,145,368**	$3,106,175,452

See Notes to Financial Statements

Consolidated Statement of Income

	Year Ended December 31, 1974	1973
Operating Income:		
Interest on loans	**$144,408,166**	$116,448,392
Income on funds sold and securities purchased under agreements to resell	**12,629,158**	6,169,814
Interest and dividends on:		
U. S. Treasury securities	**16,534,682**	24,996,153
Obligations of other U. S. government agencies	**5,219,902**	5,721,009
Obligations of states and political subdivisions	**22,683,019**	16,570,846
Other securities	**4,746,017**	4,539,665
Service charges on deposit accounts	**4,877,562**	4,460,741
Other operating income	**13,730,458**	9,958,623
Total operating income	**224,828,964**	188,865,243
Operating Expenses:		
Salaries and wages	**34,030,985**	29,765,338
Pensions and other employee benefits	**4,898,261**	4,270,922
Interest on deposits	**93,817,499**	76,778,391
Interest on other funds borrowed	**28,891,975**	23,500,144
Interest on 7% notes	**1,790,833**	1,790,833
Occupancy expense	**5,994,034**	5,110,101
Provision for loan losses (Note 7)	**7,060,562**	3,454,291
Taxes other than income taxes	**4,462,425**	4,129,382
Other operating expenses	**21,822,336**	19,024,235
Total operating expenses	**202,768,910**	167,823,637
Income before income taxes, securities losses and effect of change in accounting method	**22,060,054**	21,041,606
Applicable income taxes (Note 6)	**(656,000)**	1,982,000
Income before securities losses and effect of change in accounting method	**22,716,054**	19,059,606
Securities losses — Less related income taxes, 1974 — $1,591,000, 1973 — $134,000	**(1,723,535)**	(127,661)
Income before effect of change in accounting method	**20,992,519**	18,931,945
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans — Less related income taxes of $5,731,000	**6,208,131**	
Net income	**$27,200,650**	$ 18,931,945
Earnings per common share:		
Average shares outstanding	**7,308,628**	7,308,628
Income before securities losses and effect of change in accounting method	**$3.11**	$2.61
Securities losses	**(.24)**	(.02)
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans	**.85**	—
Net income	**$3.72**	$2.59
Pro forma amounts assuming change in income recognition method is applied retroactively		
Income before securities losses	**$22,716,054**	$20,426,134
Securities losses	**(1,723,535)**	(127,661)
Net income	**$20,992,519**	$20,298,473
Per share of common stock:		
Income before securities losses	**$3.11**	$2.80
Securities losses	**(.24)**	(.02)
Net income	**$2.87**	$2.78

See Notes to Financial Statements

Consolidated Statement of Shareholders' Equity

	Common Stock		Capital	Retained
	Shares	**Amount**	**Surplus**	**Earnings**
Year Ended December 31, 1973:				
Balance, January 1, 1973:				
As previously reported	6,946,647	$46,311,001	$81,527,341	$48,806,103
Poolings of interests	90,614	604,094	739,062	245,956
As restated	7,037,261	46,915,095	82,266,403	49,052,059
Net income				18,931,945
Transfer to reserve for possible loan losses				(2,031,678)
Dividends paid:				
Cash ($.96 per share)				(6,908,952)
Stock (4%)	271,367	1,809,114	4,793,546	(6,736,483)
Transactions applicable to pooled subsidiaries			73,625	(54,550)
Other adjustments				83,144
Balance, December 31, 1973	7,308,628	48,724,209	87,133,574	52,335,485
Year Ended December 31, 1974:				
Net income				27,200,650
Transfer to reserve for possible loan losses				(810,263)
Dividends paid — Cash ($1.075 per share)				(7,855,275)
Balance, December 31, 1974	7,308,628	$48,724,209	$87,133,574	$70,870,597

See Notes to Financial Statements

Consolidated Statement of Changes In Financial Position

	Year Ended December 31,	
	1974	1973
Source of Funds:		
Net income	**$ 27,200,650**	$ 18,931,945
Non-cash charges (credits) to income	**4,053,974**	10,254,037
Funds provided from operations	**31,254,624**	29,185,982
Decrease in securities	**237,637,125**	17,475,894
Increase in funds borrowed		247,352,825
Decrease in loans	**6,333,938**	
Increase in deposits		32,911,068
Total	**275,225,687**	326,925,769
Application of Funds:		
Increase in funds sold	**146,095,000**	2,830,000
Increase in loans		245,046,355
Decrease in funds borrowed	**98,691,573**	
Purchase of affiliated banks		12,000,800
Purchase of certificates of deposit from other banks	**15,021,324**	
Additions to banking premises and equipment	**11,764,390**	5,878,733
Cash dividends paid	**7,855,275**	6,908,952
Decrease in deposits	**1,497,152**	
Other	**1,050,944**	458,255
Total	**281,975,658**	273,123,095
Increase (decrease) in cash and due from banks	**$ (6,749,971)**	$ 53,802,674

See Notes to Financial Statements

Notes to Financial Statements

1. Summary of Significant Accounting and Reporting Policies

The accounting and reporting policies of BancOhio Corporation conform to generally accepted accounting principles and to general practices within the banking industry. The following is a summary of the significant policies.

Basis of Presentation The consolidated financial statements include the accounts of BancOhio Corporation and its affiliated banking and non-banking subsidiaries. All significant intercompany transactions have been eliminated.

Business combinations recorded as purchase transactions are included from the respective dates of acquisition. The excess of the purchase price over the fair value of the net assets so acquired is amortized over the periods estimated to be benefited on a straight-line basis not exceeding forty years and is included in other assets.

All significant business combinations recorded as poolings of interests are included for all periods presented.

Securities Securities are carried in the consolidated balance sheet at cost, adjusted for amortization of premiums and accretion of bond discount. Effective January 1, 1974, BancOhio changed its accounting to accrete bond discounts. The effect of this change was not material.

Banking Premises and Equipment Banking premises and equipment are stated at cost less accumulated depreciation. Depreciation charged to operating expense is computed primarily using the sum-of-the-years digits and straight-line methods over the estimated useful lives of the assets.

Income Taxes There are certain income and expense amounts in the financial statements that are recognized in different time periods for income tax purposes (see Note 6). Appropriate provisions for deferred income taxes are made in recognition of such timing differences. The investment tax credit on direct lease financing transactions is deferred and amortized to income over the investment recovery period. For other property, the investment credit is accounted for as a reduction of the provision for income taxes.

Reserve for Possible Loan Losses The reserve for possible loan losses is comprised of a valuation, a contingency, and a deferred tax portion. The valuation portion is created by the provision for loan losses charged to operating expenses and represents that portion of the reserve available to absorb loan losses. The contingency portion represents transfers from retained earnings for differences between provisions for loan losses for financial reporting purposes and amounts deductible as loan losses for Federal income tax purposes, less the related tax effect. The deferred tax portion represents the tax effect of the transfers from retained earnings. The provision for possible loan losses included in operating expenses is based principally on a historical five-year average ratio of net charge-offs to average loans and such other factors which, in management's judgment, deserve recognition in estimating possible loan losses.

Other Interest income on commercial and real estate mortgage loans is based on the principal amount outstanding. Interest income on installment loans is recognized generally on the "Rule of 78's" method (sum-of-the-months digits). See Note 3 for change in method adopted in 1974.

Income on finance leases is recognized on a basis to achieve a level rate of return on the net lease investment over the investment recovery period. The estimated residual value of leased property (which does not exceed 10 percent of original cost at initiation of the lease) is recognized over the life of the related leases.

The provisions for pensions represents normal service cost as computed under accepted actuarial cost methods and assumptions, and are funded as accrued.

2. Acquisitions

In 1973, BancOhio purchased all the capital stock of Citizensbank National Association, Felicity, in January, The Capital National Bank, Cleveland, in April, and The Citizens National Bank of Ironton, in November, for $1,000,000, $8,500,800, and $2,500,000 in cash, respectively. Results of operations are included in the financial statements since the respective dates of acquisition. The excess of cost over equity in the net assets acquired of $3,749,046 is being amortized over forty years.

Also in 1973, BancOhio acquired all the capital stock of The Peoples Savings Bank Company, Delta, The Western Security Bank, Sandusky, and The Peoples National Bank of Greenfield for 36,391, 194,317, and 54,590 shares of the Corporation's common stock, respectively. In addition, The Farmers State Bank of Lyons was acquired for 10,400 shares of the Corporation's common stock and was merged into The Peoples Savings Bank Company, Delta, an affiliate. These transactions have been accounted for as poolings of interests and, accordingly, the financial statements have been restated to include those banks for all periods.

In January 1974, BancOhio acquired all the capital stock of The Imperial State Bank, Vandalia, and The Cummings Bank Company, Carrollton, for 51,017 and 33,597 shares of the Corporation's common stock, respectively. These transactions have been accounted for as poolings of interests and, accordingly, the financial statements have been restated to include those banks for all periods.

The aforementioned acquisitions are not material to the consolidated financial condition or results of operations of the Corporation and, accordingly, their effect is not separately shown.

3. Change of Accounting Method

Effective January 1, 1974, BancOhio changed its method of accounting for interest income on installment loans to the Rule of 78's method. The new method has been applied retroactively to installment loans outstanding at January 1, 1974. Interest income in prior years was generally computed using the straight-line method. This accounting change was made to more accurately reflect income as it is earned by recognizing interest income in proportion to the outstanding principal balance. This method is used throughout most of the banking industry.

The effect of the change in 1974 was to increase income before securities losses and cumulative effect of change in accounting method by approximately $2,066,000 ($.28 per share). The cumulative effect on prior years of this accounting change of $6,208,000 ($11,939,000 less $5,731,000 tax effect) has been included in 1974 net income. The pro forma amounts shown on the Consolidated Statement of Income have been adjusted for the effect of retroactive application on interest income and related taxes which would have been made had the new method been in effect during 1973.

4. Securities

The estimated market values of securities at December 31, 1974 and 1973, are summarized as follows:

	1974	1973
U. S. Treasury securities	**$228,497,000**	$ 406,213,000
Obligations of other U. S. Government agencies	**58,201,000**	102,768,000
Obligations of states and political subdivisions	**392,598,000**	450,712,000
Other securities	**63,941,000**	69,381,000
Total	**$743,237,000**	$1,029,074,000

At December 31, 1974 and 1973, securities carried at $541,909,737 and $605,892,038, respectively, were pledged to secure public deposits and for other purposes, as required by law.

5. Banking Premises and Equipment

The major categories of banking premises and equipment and accumulated depreciation at December 31, 1974 and 1973 are summarized as follows:

	1974	1973
Land	**$15,622,856**	$15,000,495
Buildings and improvements	**43,078,549**	39,013,300
Equipment	**17,357,818**	14,698,325
Construction in progress	**4,648,840**	1,431,967
Total	**80,708,063**	70,144,087
Less accumulated depreciation	**22,364,238**	20,996,531
Banking premises and equipment — net	**$58,343,825**	$49,147,556
Depreciation expense	**$2,568,121**	$2,602,073

The Corporation and its subsidiaries have entered into noncancellable lease agreements with respect to bank premises and equipment. The minimum annual rental commitment under these leases, exclusive of taxes and other charges payable by the lessees, is 1975 - $2,148,000, 1976 - $2,039,000, 1977 - $1,728,000, 1978 - $1,119,000, 1979 - $898,000, 1980-84 - $2,942,000, 1985-89 - $1,973,000, 1990-94 - $236,000, with no commitments extending beyond 1994.

Total rental expense for the years ended December 31, 1974 and 1973, including cancellable and noncancellable leases, was approximately $2,836,000 and $2,281,000, respectively.

6. Federal Income Taxes

The elements of Federal income taxes are included in the following balance sheet accounts:

	December 31,	
	1974	1973
Taxes currently receivable— Other assets	**$(2,786,000)**	$(4,500,000)
Deferred taxes payable (receivable) —		
Other assets (investment tax credit carryforward)	**(1,768,000)**	
Interest, taxes, and other liabilities	**12,431,000**	3,160,000
Reserve for possible loan losses	**5,525,000**	4,777,000
Total deferred	**16,188,000**	7,937,000
Total	**$13,402,000**	$3,437,000

The income tax provision (refunds) included in the Consolidated Statement of Income are summarized as follows:

	Current	Deferred	Total
	(Dollars in Thousands)		
1974:			
Applicable income taxes on income before securities losses	$(1,768)	$1,112	$ (656)
Income tax effect on net securities losses	(1,591)		(1,591)
Income tax effect on cumulative effect of accounting change	573	5,158	5,731
Total	$(2,786)	$6,270	$3,484
1973:			
Applicable income taxes on income before securities losses	$(2,159)	$4,141	$1,982
Income tax effect on net securities losses	(134)		(134)
Total	$(2,293)	$4,141	$1,848

Deferred income taxes, arising from income and expense amounts reported for financial statement purposes in different years than for income tax purposes, are summarized as follows:

	1974	1973
	(Dollars in thousands)	
Income on direct and leveraged lease financing	**$2,330**	$1,376
Accretion of discount on U.S. Treasury bills	**(613)**	524
Excess of loan loss deduction over provision charged to operating expense	**748**	1,832
Accelerated depreciation on bank assets	**535**	513
Cummulative effect of accounting change	**5,158**	
Investment tax credit carryforward	**(1,768)**	
Other—net	**(120)**	(104)
Total	**$6,270**	$4,141

A reconciliation between the amount of reported income tax expense and the amount computed using the Federal statutory tax rate follows:

	1974		1973	
	Amount	%	Amount	%
	(Dollars in Thousands)			
Tax at Federal statutory rates	**$ 14,729**	**48.0%**	$ 9,974	48.0%
Increase (decrease) in taxes:				
Tax exempt interest	**(10,617)**	**(34.5)**	(7,963)	(38.3)
Investment tax credit	**(691)**	**(2.3)**	(911)	(4.4)
Other, net	**63**	**.2**	748	3.6
Actual tax expense	**$ 3,484**	**11.4%**	$ 1,848	8.9%

7. Reserve for Possible Loan Losses

Transactions in the Reserve for Possible Loan Losses for 1974 and 1973 are summarized as follows:

Balance at December 31, 1972	$21,129,845
Add (deduct):	
Incident to acquisition of non-pooled banks	1,173,449
Provision charged to operating expenses	3,454,291
Transferred from retained earnings and related deferred tax ($1,832,325)	3,864,003
Losses charged to reserves less recoveries of $1,136,444 on loans previously charged-off	(4,580,179)
Balance at December 31, 1973	25,041,409
Provision charged to operating expenses	7,060,562
Transferred from retained earnings and related deferred tax ($747,939)	1,558,202
Losses charged to reserves less recoveries of $2,121,485 on loans previously charged-off	(8,751,290)
Balance at December 31, 1974	$24,908,883

The 1974 provision for loan losses includes a $2,000,000 additional charge to income in excess of the amount chargeable to operating expense based on loan loss experience over the past five years.

The composition of the balance of the reserve is as follows:

	December 31	
	1974	**1973**
Valuation (available to absorb loan losses)	**$13,408,215**	$15,098,938
Contingency (transfers from retained earnings)	**5,975,871**	5,165,608
Deferred tax	**5,524,797**	4,776,863
Total	**$24,908,883**	$25,041,409

8. Pension Plans

Substantially all employees of the Corporation and the affiliated banks are eligible to participate in non-contributory trusteed pension plans. Payments to pension funds and pension expense, including amortization of prior service cost over approximately ten years, for the years ended December 31, 1974 and 1973 were $1,392,000 and $1,209,000, respectively.

9. Commitments and Contingent Liabilities

BancOhio, through its largest affiliate, The Ohio National Bank, is currently constructing a 25-story office building, in downtown Columbus, Ohio. Land, building, and furnishings are expected to cost approximately $36,000,000.

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, guarantees (including standby letters of credit of $9,843,686), which are not reflected in the accompanying financial statements. The Corporation does not anticipate any material losses as a result of these transactions.

Auditors' Opinion

HASKINS & SELLS
Certified Public Accountants
250 East Broad Street
Columbus, Ohio 43215

January 21, 1975

To the Shareholders and Directors of BancOhio Corporation:

We have examined the consolidated balance sheet of BancOhio Corporation and subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of BancOhio Corporation and subsidiaries at December 31, 1974 and 1973 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied except for the change, with which we concur, in the method of recognizing income on installment loans as described in Note 3 to the financial statements.

Haskins & Sells

Philip F. Searle, president of BancOhio Corporation, and Walter C. Mercer, president of The Ohio National Bank, with the architectural scale model of Ohio National Plaza on Capitol Square, currently under construction in downtown Columbus. The first financial, office and shopping complex to be built in Columbus, Ohio National Plaza will include an office tower and a specialty shop arcade and will be located directly across from the Ohio State Capitol. Scheduled for completion in 1976, the travertine marble-clad high-rise facility will house the headquarters offices of BancOhio and The Ohio National Bank. The project was designed by Skidmore, Owings and Merrill to enhance the historic site of Trinity Episcopal Church erected in 1869.

BancOhio Corporation Affiliate Banks

The Ohio National Bank of Columbus
Walter C. Mercer, President and Chief Executive Officer
38 Offices

Akron National Bank and Trust Company
Vincent H. Johnson, Chairman of the Board and Chief Executive Officer
G. Vernon Owen, President
22 Offices

The Logan County Bank, Bellefontaine
Charles M. Welsh, Executive Vice President
3 Offices

The First National Bank of Cadiz
Kenneth C. Cramblett, President
1 Office

The Central National Bank at Cambridge
Gordon Roberts, President
5 Offices

The Cummings Bank Company, Carrollton
E. E. Surbey, Executive Vice President
3 Offices

The First National Bank of Chillicothe
Cornell C. Hunter, President
4 Offices

The Second National Bank of Circleville
Earl W. Palm, President
2 Offices

The Capital National Bank, Cleveland
Frank B. Fisher, President
12 Offices

The Ohio State Bank, Columbus
Frank W. Kelley, President
16 Offices

First National Bank of Coshocton
Charles H. Edmund, President
2 Offices

The First National Bank of Delaware
Kenneth E. Snyder, President
4 Offices

The Peoples Savings Bank Co., Delta
L. M. Bratton, Executive Vice President
2 Offices

The First National Bank at East Palestine
Robert M. Cole, President
3 Offices

The Peoples National Bank of Greenfield
James H. Mosely, President
3 Offices

The Citizens National Bank of Ironton
Donald L. Edwards, President
3 Offices

The First National Bank of Jackson
Daniel E. Washam, President
2 Offices

The Kenton Savings Bank, Kenton
George K. Logan, Jr., President
4 Offices

The Hocking Valley National Bank of Lancaster
Joseph M. Hartman, President
4 Offices

The Farmers and Merchants Bank of Logan
Ralph O. Moorehead, President
2 Offices

The First National Bank of London
Jack Phillips, President
2 Offices

Citizensbank, National Association, Loveland
R. Duane Lillibridge, President
5 Offices

The First National Bank of Marysville
Gerald E. Dackin, President
2 Offices

The Ohio State Bank of Medina
James M. Frisk, President
1 Office

The Adams Bank, Millersburg
Richard B. Cary, President
1 Office

The Knox County Savings Bank, Mount Vernon
Rex C. Hostetler, President
2 Offices

The Community Bank, Napoleon
William Merz, President
2 Offices

The First National Bank of Newark
David L. Ott, President
8 Offices

The Perry County Bank, New Lexington
Lester G. Essington, President
2 Offices

The Ohio Savings and Trust Company New Philadelphia
David B. Abbuhl, President
4 Offices

The Niles Bank Company, Niles
James H. Berline, President
5 Offices

The Citizens Banking Company, Perrysburg
Harold H. Goeke, President
2 Offices

The National Bank of Portsmouth
R. Vernon Miller, President
5 Offices

The Western Security Bank, Sandusky
Donald C. Hoenstine, President
3 Offices

The First National Bank of Springfield
Donald J. Bishop, Chairman
Robert N. Bare, President
6 Offices

First National Bank of Tiffin
Kenneth H. Myers, President
2 Offices

The Ohio State Bank of Vandalia
C. Richard Ross, President
3 Offices

The First National Bank of Washington Court House
Glenn R. Hemsworth, President
3 Offices

The First National Bank of Wilmington
Robert H. Olinger, President
3 Offices

The Citizens National Bank in Zanesville
Charles B. Moody, President
3 Offices

Directors

John L. Burgoon
Senior Vice President and Secretary of the Corporation

John M. Caren[1]
Attorney

John B. Gerlach[2]
President of Lancaster Colony Corporation, manufacturers and distributors of diversified household products

Vincent H. Johnson
Chairman and Chief Executive Officer of Akron National Bank and Trust Company, a BancOhio affiliate

George W. Kauffman[1][2]
President of Kauffman-Lattimer Company, wholesale distributors of health and beauty care products

William E. MacDonald[2]
Vice President of Ohio Bell Telephone Company, a telephone communications and service affiliate of AT&T

Walter C. Mercer
President and Chief Executive Officer of The Ohio National Bank of Columbus, a BancOhio affiliate

Henry M. O'Neill, Jr.[1]
President and Chairman of the Board of Beverage Management, Inc., bottlers and distributors of consumer beverages

Philip F. Searle
President and Chief Executive Officer of the Corporation

John F. Wolfe
President of The Dispatch Printing Company, publishers of the Columbus Dispatch; WBNS-TV Inc. is a subsidiary of The Dispatch Printing Company.

[1] Directors Audit Committee
[2] Directors Compensation Committee

Senior Executive Officers

Philip F. Searle
President and Chief Executive Officer

John L. Burgoon
Senior Vice President and Secretary

Robert M. Edwards
Vice President, Legal and Regulatory

Ken K. Feinthel
Vice President, Corporate Development

James C. Hoover
Vice President, Credit Services

Dan L. Huffer
Vice President and Treasurer

Alan D. Johnson
Vice President, Investment Management

James W. Wentling
Vice President, Marketing Services

Edgar T. Wolfe, Jr
1926-1975

Director of BancOhio Corporation
1958-1975

A Tribute to Edgar T. Wolfe, Jr.

In high esteem of the expert leadership and time so generously given by Edgar T. Wolfe, Jr., as a Director of BancOhio Corporation since 1958, his fellow Directors express their sincere appreciation in this Annual Report. His keen judgment and wise counsel, which have been executed in a manner of dignity, trust, and objectivity as a bank holding company Director, will be reflected in the successes of BancOhio and its affiliates in the years ahead.

BancOhio Corporation
51 North High Street
Columbus, Ohio 43216